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In Chicago, NBC's Bob Blackmore (right) breaks bread with Burnett's Bill Hadlock over network television's buying season.

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P-O-P RADIO
PLANOGRAM PLOYS

SERVING UP THE UPFRONT

MARKETING & MEDIA DECISIONS

COVER STORY

SERVING UP THE UPFRONT 36

Advertisers, agencies and network sellers are at the table whipping up the ad buys for the coming season. The frantic pace is likely to give more than one player indigestion. To ease the course, *Decisions* provides a complete daypart-by-daypart menu of the network television marketplace.

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LETTERS

PEOPLE METERS' FULL POTENTIAL

Ed Papazian is correct in his assertion that the brouhaha over the people-meter ratings drop has overshadowed more promising uses of the new measurement technologies ("As They See It," February 1988, pg. 47).

Though television executives are quite right to insist on the accuracy of any new form of measurement, they should also realize that, as audience erosion and fragmentation continues, credible qualitative demographic and

other information provided by new methods can be a weapon against other media. It can also serve as a way to support pricing of some programs even when gross audience figures decline.

To be sure, this is a two-edged sword (I would love to see the movement-sensor's results during the *Tonight Show*, given the kind of "restlessness" purported to occur at that hour). But the new technologies are here to stay, and smart business people — buyers and sellers alike — will learn to use

them effectively.

Douglas S. Dworkin
Sales & marketing consultant,
New York

TOO MUCH!

Weally, a tween market? How wascaly of our marketeers to come up with yet another wonderful segmentation of consumers. And, sadly, how weally wicidulous. Will pre-tweens, mid-tweens, post-tweens and over-tweens follow?

Alan Shirk, "Weeding," Pa.

CABLE-TABLE CORRECTION

The chart that accompanied our April cable report mistakenly shows cable penetration percentage figures as total numbers of cable households. This chart presents

the real household numbers in millions. Our point still stands: National advertising investments in cable have far outpaced the industry's penetration progress.

CABLE SUBSCRIBERS AND NATIONAL ADVERTISING DOLLARS

	Cable Subscribers (millions)	Year-to- year % Gain	Nat'l Ad Revenues (millions)	Year-to-year % Gain
1980	17.7	—	50	—
1981	23.2	31.1%	105	110%
1982	29.3	26.3%	195	86%
1983	33.8	15.4%	331	70%
1984	37.3	10.4%	496	47%
1985	39.9	7.0%	612	26%
1986	42.2	5.8%	740	21%
1987	45.0	6.6%	883	19%

Source: Cable Television Advertising Bureau; Paul Kagan Associates

UPFRONT

It begins in a genteel enough fashion. Early in spring, there are lots of friendly lunches in chic eating establishments. The conversations are polite and low-key, but the niceties mask what is really going on. The Denizens of the Upfront have begun their dance. The powerful two-step starts over servings of grilled salmon and baby asparagus as buyer and seller casually circle each other in an attempt to size up the impending network television marketplace.

The annual rite builds momentum throughout the spring and then, sometime in late spring, voila! The networks unveil their new prime-time schedules and the official countdown to the upfront buying season begins. The Denizens of the Upfront break into a frenzied bugaloo that ends with roughly two-thirds of commercial time for the new tv season signed on to buyers' dance cards.

That, give or take a hundred little intricacies, is how the yearly, network-tv selling game is played out. Though it may seem a very off-hand way for billions of dollars in network time to change hands, there are a few rules to

the negotiations . . . some written, most not.

THE RULES OF THE GAME

"It drives our friends in the legal department crazy," says ABC senior

million dollar deals the networks cut with advertisers during upfront are done with a handshake and a smile. Signed contracts are almost unheard of in the business. But what really makes this process wild is that each deal is unique and carries its own mix of options and guarantees.

But this is getting a little ahead of the story. For all practical purposes, the buying process doesn't really begin until advertisers release their network tv budget guidelines to their agencies — usually in April and May — which is just before the networks make their schedule announcements. Agency planning departments then set rough buying goals in terms of audience targets and gross rating-point (GRP) levels and may even make some specific programing requests. The planners also decide how much money goes to each network daypart.

The planners, however, often must fine-tune their mix based on the realities buyers encounter during the negotiating process. In a soft marketplace, buyers may be able to gain bonus weight for their clients or simply save them some money. But when things are in more of a squeeze, agencies might have to pinch clients for additional monies to achieve their planning goals.

Before any money is committed,

LET THE SEASON BEGIN

by Joe Mandese

vice president and national sales manager Marvin Goldsmith. "You should see the look on our auditors' faces when they come in to look at our books," adds DDB Needham senior vice president and director of national radio/tv programing Bart McHugh.

What astonishes the lawyers and accountants is how so much money can change hands with so little paperwork to show for it. Virtually all of the multi-

ONIT

network account executives and agency buyers negotiate a package of programs. While some advertisers might prefer to buy a package of hits such as *The Cosby Show* or *Moonlighting*, the networks rarely sell these shows without throwing a few new or struggling series into the deal. "The networks won't sell us all of their scotch, or else they won't be able to get rid of their rum," is how DDB Needham's McHugh explains it.

Once a package is set, the real stuff begins: haggling over pricing. And that can vary substantially depending on other conditions of the buy, like ratings guarantees and order-cancellation options.

One of the main reasons advertisers commit to upfront time so far in advance of the television season is because the networks offer ratings guarantees for such deals. So-called, short-term "scatter" buys made during the season generally are not similarly covered. However, a buyer who is willing to make a deal without guarantees or cancellation options can win in other ways; namely price concessions. "If you are willing to yield on these points, you can probably get a better going-in deal than the guy who does not," explains John Sisk, senior vice president and director of network negotiating at J. Walter Thompson. "For each thing

you give up, there is something you get in return."

Once a deal is set, the network puts it on "hold" and allows the agency about a week to go over the buy with their client before making a commit-

the beat for most other negotiations. If the prime marketplace is strong, news, late-night, early morning and, to some extent, daytime will benefit from the spillover of dollars to these lower-priced inventories.

In 1987, combined network prime-time revenues totalled nearly \$4 billion, up from \$3.7 billion in 1986, according to Broadcast Advertisers Reports. Number-one-rated NBC led in dollar sales with a 43.5% share of the 1987 pie, followed by CBS (29.4%) and ABC (27.1%).

Unlike other dayparts, prime time is sold too broadly to be influenced by the vagaries of particular categories or brands, but overall spending appears to be on the upswing. Only one of the top-10, prime-time advertisers cut spending in 1987. Procter & Gamble reduced its budget 16% to \$110.7 million.

Seven of the 10 leading prime-time categories upped their spending in 1987. Restaurants, already the number-one prime-time category, increased its spending the most, up a whopping 15.3% to \$367.1 million.

Hot categories on the rise include cereals (+60.1% to \$200.9 million), pet foods (+31.7% to \$92.6 million) and dental products (+25.8% to \$71.7 million). Rapidly emerging smaller categories include telephone companies (+100.6% to \$35.9 million),



Today's special: a complete à la carte guide to the network tv buying season.

ment. No money actually changes hands until the commercial time airs and the networks invoice the order.

With these few rules in mind, we offer our own preview guide to the 1988-1989 upfront marketplace.

PRIME TIME

The main course in the upfront is prime time. More money is spent here than in any other daypart, and it sets

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meats/poultry/seafood (+95.9% to \$33.1 million) and fruit juices (+95.3% to \$29.3 million).

Pricing for the 1987-88 season rose in the solid double-digits during last year's upfront when demand proved strong due to a record number of new-to-upfront advertisers. According to sources, the number of advertisers who bought upfront last year increased to about 225 from about 115 the year before.

While some dispute those numbers, it is clear that many traditional scatter ad-

holds this September.

These question marks could drive an above-average amount of prime-time dollars into guaranteed upfront deals. But it appears that the networks will seek to modify this year's guarantees with the same kind of "shared risk" options they sought in last year's deals.

likely the networks will guarantee 100% of ratings projections until they are 100% confident of the ratings methodology." Answers BBDO's Grubbs, "Obviously it's not something we favored last year and it's not something that we will favor this year. It will be part of the negotiation."

ADAM CHINITZ

It is a sore point because network prime-time ratings got socked hard by people meters. Household ratings were off about 11% through March 13, 1988 and ratings for key demographics also fell. Women aged 18-49 were off about 16%, women 25-54 were down nearly 19%, men 18-49 declined about 15% and men 25-54 were down about 17%.

While some of these drops are due to changes in sample and methodology, the results are generally considered to be more reliable than those of the previous system. Indeed, Bozell, Jacobs, Kenyon & Eckhardt vice president and manager of broadcast research Steve Sternberg estimates only about one-third of the household ratings decline is due to people meters and that the rest is real network erosion.

While this depletion in the number of network rating points would appear to tighten the supply of network commercial GRPs, it has been partially offset by an increase in prime-time commercial inventory. The number of network prime-time spots increased 5.6% in 1987 to 57,043, due primarily to 15-second commercials.

"The key to upfront negotiations is demand, and the economy doesn't look like it's going anywhere positively," notes BBDO's Grubbs. By the same token, he says "It doesn't appear as though our clients' budgets are going to increase, so we are basically projecting that demand is going to be flat."

Another major player agrees with this assessment. "I don't think there will be the growth in budgets that we

Clockwise from JWT's Larry Grossberg, with bat; CBS's Duncan Ryder, JWT's Sisk, CBS' William Cecil.



vertisers moved into upfront and many usual upfront buyers moved a greater share of their budgets into the marketplace last year. Why? Because most buyers decided that in the year of the great switch-over to people meters, it was better to get a guaranteed deal than live with uncertainty.

To what extent people meters will play a role in 1988-89 negotiations remains to be seen. Some think that the trend of the meter data is steady enough so as not to rock the upfront boat this year. But others disagree strongly. "We don't know yet how people meters are going to affect the repeat season," points out an exasperated Steve Grubbs, who is BBDO's senior vice president and director of national television buying.

Moreover, he notes that Nielsen is expanding its meter sample from 2,000 to 4,000 households this fall, which could put an entirely different complexion upon ratings projections. At the same time, it will turn over half of its original sample, meaning that three-quarters of the Nielsen Television Index will be composed of new house-

Advertiser	1987 (millions)	1986 (millions)	% Change
Philip Morris	135.8	111.0	+22.3
Unilever	124.0	105.1	+18.0
Kellogg	122.4	88.0	+39.1
Procter & Gamble	110.7	127.9	-13.5
Ford	103.3	102.6	+0.7
PepsiCo	101.0	86.6	+16.6
Mars	88.2	36.1	+144.3

Source: Broadcast Advertisers Reports

ABC, for instance, cut its 1987-88 upfront deals based on one of three upfront guarantee options. One called for splitting the risk of ratings under-delivery 50/50. Another provided no compensation until under-delivery exceeded 5% of the ratings guarantee. The third compensated for under-delivery from 0-5% of the guarantee but nothing over that.

"If you look at guarantees as insurance policies, we didn't insure all of the actual table," says NBC executive vice president of sales and marketing Bob Blackmore. He adds, "It is un-

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had a year ago," tells Willard Hadlock, executive vice president of media services for Leo Burnett. "The economy is always pretty good going into an election year and it's never as good coming out of one."

In fact, Bill Croasdale, senior vice president and director of network programming at Backer Spielvogel Bates, predicts that the upfront prime-time marketplace will roll back from the more than \$3 billion spent last year to about \$2.5 billion this year.

But no upfront buying season would be complete without a few wild cards. This year, people are speculating on how much money the Summer Olympics (which are actually taking place Sept. 17-Oct. 2) will add to or take out of the marketplace. To date, NBC has sold about 75%-80% of its 179.5 available hours, 75% of which are in prime time. But buyers note that the remaining inventory may be the hardest to sell since major categories have already committed. Some believe NBC may have to package the Olympics with valuable prime-time inventory to move it.

If not from NBC's prime-time sales,

others believe the huge Olympics advertising commitments will have to come from somewhere. Notes CBS vice president/sales Jerry Dominus, "NBC is sitting on an awful lot of very expensive inventory. They have the Olympics, the World Series and the Super Bowl. That's an awful lot of money to soak up."

Indeed, although fourth-quarter 1987 and first-quarter 1988 scatter markets were fairly strong, second-quarter sales were flat and many buyers believe that, despite the pressures of the Olympics and network election coverage, the third-quarter will not be too robust. And a soft scatter market could take the edge off upfront demand.

One final wild card for the 1988-89 prime-time marketplace is the Writers Guild strike, which could delay the start of the new season.

The networks, meanwhile, have set their schedule announcements: May 17

for Fox, May 18 for NBC, May 23 for ABC and June 2 for CBS. "We are telling our advertisers to be ready much faster this year because the [buying] window is going to be much smaller and the action could be very fast," cautions JWT's Sisk.

BETTING LINE: Both buyers and sellers are bracing for a particularly concentrated selling period. Given the history of upfront negotiations, the networks will try to generate a sense of buying urgency that will push demand up slightly above average, with prime-time rates up in the middle to upper single digits. "They'll try to generate a panic," cautions DDB Needham's McHugh. "If I find myself in the middle of June and I haven't bought anything yet, I may start to panic."

DAYTIME

Both buyers and sellers predict the action will be anything but fast for up-

KID STUFF

At press time, the upfront kids syndication marketplace was well underway. The most significant factor affecting kids buys continues to be the debate over how to interpret people-meter ratings for kids and what kind of guarantees to assign them.

Saturday morning network ratings for kids 2-11 have fallen about 30% since last season, and some of the blame is being attributed to people meters, with kids not pushing the right buttons. According to a Bozell, Jacobs, Kenyon & Eckhardt study, between one third and one half of the ratings fall-off is due to people meters, but the rest is seen as genuine erosion to other viewing alternatives such as home video.

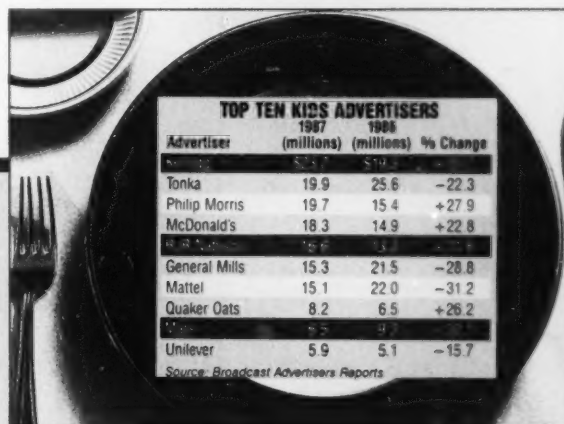
While Nielsen recently released the findings of a telephone coincidental survey that indicated people meters accurately measure Saturday morning kids viewing, ABC's Marvin Gold-

smith notes that the study surveyed parents about the viewing habits of their children, "which is the same argument people have about diary measurement of kids."

While the industry continues to struggle over the accuracy of the ratings, the networks are trying to move away from guaranteeing kids audiences. ABC said it will not guarantee on kids 2-11, and CBS and NBC were expected to follow suit. BJK&E recommends guarantees made based on households with children under 12, which come from the "passive" portion of the people-meter sample.

Meanwhile, ad demand appears to be waning in the \$200 million network category. Upfront syndication prices were flat or up in the low single digits, and agencies expected network pricing to be in the same range. The market softness apparently stems from cutbacks among major toy manufacturers, who along with cereals dominate the category.

"There are no big-ticket toys to fuel advertising funds," notes Saatchi & Saatchi DFS' Mel Conner. "And when the toys aren't really pushing, then the market generally falls flat."



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front daytime sales. "Daytime is going through a sad period," concedes CBS' Dominus. "As far as bargains go, if you want to reach a lot of people, you can't do it any cheaper than in daytime," adds Saatchi & Saatchi DFS senior vice president/director of network operations Mel Conner.

For several years, network daytime has experienced declining demand. In the early 1980s, demand for daytime tv peaked and prices rose so fast that daytime lost its relative value to other network dayparts. At the same time, daytime ratings began to decline as traditional female viewers joined the workforce or turned to other channels.

Meanwhile, the effectiveness of reaching daytime's remaining viewers is being challenged by buyers concerned with its rampant commercialization. With more than 12 ad minutes per hour (compared to about six in prime time), daytime always has had the heaviest commercial load, but :15s appear to have exacerbated the problem.

Although daytime generates less than half the revenue of prime time, it carries nearly three times the commercial load. In 1987, there were 153,460 daytime commercials on the three networks compared to 57,043 prime-time spots. "Fifteen-second commercials have made daytime television half as expensive as it used to be," notes William Esty executive vice president and media director Tom Winner. "And what that has done is take half the money out of the marketplace."

Of the \$1.3 billion in 1987 network daytime advertising revenues, ABC had a 38.2% share, compared to CBS' 33.2% and NBC's 28.6%. Not coincidentally, ABC leads in share of the key daytime demographics, with 47% of women aged 18-34, 43% of women 18-49 and 42% of women 25-54.

However, all three networks are feeling the pinch of declining daypart revenues. Daytime ad dollars were down about 13% in 1987 from a 1986 total of \$1.5 billion. While six of the top-10 daytime advertisers increased their spending modestly in 1987, leading-advertiser P&G slashed its budget

are busily trying to convince some users of other dayparts to move money into daytime. "So far there have been some modest experiments," notes CBS' Dominus, referring to network marketing efforts to get automotive advertisers into the daypart. Yugo has bought the concept and Hyundai is testing ABC's new *Home* show.

Chevrolet and Isuzu are both said to be considering daytime trials. "Fifty percent of new-car purchase decisions are made by women," notes ABC's Goldsmith.

Saatchi's Mel Conner gets some help from Helen Tocheff (left) and Liz Rosso.



ADAM CHINITZ

Advertiser	1987 (millions)	1986 (millions)	% Change
Procter & Gamble	\$165.9	\$223.5	-25.8
Unilever	60.4	68.8	-12.2
American Home Prod.	54.6	57.3	-4.7
Johnson & Johnson	50.9	47.9	+6.3
RJR Tobacco	48.6	38.0	+27.8
Bristol-Myers	38.9	37.0	+5.1
Quaker Oats	34.6	28.5	+21.4
Philip Morris	31.5	52.6	-40.1
Shering Drug	29.4	25.4	+15.5
General Mills	27.9	26.9	+3.7

Source: Broadcast Advertisers Reports

about 26% to \$165.9 million.

Many have shifted their dollars into other dayparts, such as early morning and late night, in an effort to reach working women. Some have diverted money into alternatives such as syndication, unwired networks and daytime cable.

"A lot of daytime advertisers lock up their syndication deals first," concedes ABC's Marvin Goldsmith. "We really believe the money for the syndicated shows comes out of daytime network dollars."

To see some daylight, the networks

Otherwise, weak demand and heavy use of :15s will cause pricing rollbacks.

EARLY MORNING

With about 65% of women in the workforce, advertisers are following what they believe is a migration of these viewers to other dayparts, including early morning. Indeed, all of the top-10, early-morning advertisers have upped their spending significantly in the daypart and leading early-morning advertiser Procter & Gamble increased its 1987 budget 45% to \$30.7 million. Of the \$237.5 million placed

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on the networks in 1987, NBC had a 42.9% share, followed by ABC's 39.3% and CBS' 17.8%.

Particularly active categories in the daypart include dental products (+63.5% to \$12.1 million), cold remedies (+78.0% to \$10.5 million), fruit juices (+64.4% to \$7.4 million), meats/poultry/fish (+96.2% to \$5.1 million), dairy products (+178.6% to \$3.9 million), laundry products (+116.7% to \$3.9 million) and telephone companies (+150% to \$3.5 million). Emerging categories include

non-carbonated soft drinks, shampoos, corporate ads and stationary products.

However, early morning ratings have been dramatically affected by people meters. Household ratings are off more than 11% since last year. On a demographic basis, ratings for women aged 18-49 are off 14% and women 25-54 are down about 12%, but numbers for men 18-49 are up 11% and men 25-54 increased 18%.

BETTING LINE: The explosion of demand from advertisers seeking working women and the relatively small amount of network commercial inventory will send early-morning rates up in the high single-digit or low double-digit percentage range.

LATE NIGHT

Like early morning, late evening has benefitted from the perception that it is a good place to reach working women. But even more than that, its appeal for all young adults has really made the daypart fly. Of the \$391.5 million advertisers spent in 1987, NBC — with its coveted lineup of *The Tonight Show Starring Johnny Carson* and *Late Night with David Letterman* — commanded a 57.9% share, followed by CBS with 29% and ABC with 13.1%.

Because of *Letterman*'s success in attracting young viewers, CBS has scrapped its late-night action lineup and is bringing out a new show featuring *Wheel of Fortune* host Pat Sajak, which the network believes will skew younger than *Carson*. ABC also reportedly is considering several entertainment-oriented shows to follow *Nightline* at midnight.

What has got the networks fine-tuning their lineups is an explosion of ad dollars in the daypart. All of the top-10 categories increased spending significantly in 1987, with the

exception of wine coolers, which was down about 5% to \$14.3 million. However, beers, the lead late-night category, increased about 24% to \$35.2 million. Demand has gotten so strong among all beverage advertisers that the networks now prohibit them from using :15s in late night. Although ratings are down about 10% on a household basis, all of the leading demographic categories are up.

BETTING LINE: Demand for this time period will increase. Intensive competition between some categories may send late-night rates well up into the double-digits.

NEWS

While some buy this daypart specifically, most advertisers use it to extend their prime-time reach. It is described by one network salesman as "hamburger helper." Although news experienced a slight household ratings drop due to people meters, the key demos are down significantly, especially among men. People meters also bumped NBC from number one to last place and moved CBS into first. However, ABC's younger, more urban audience skew keeps it ahead in dollar sales in the daypart, which traditionally skews older and more rural than prime. Of the \$639.9 million spent on news in 1987, ABC had a 35% share, CBS 34.3% and NBC 30.8%.

Revenues for the daypart declined a significant 10% from the \$711.1 million in 1986. However, most of the top-10 news advertisers — with the exception of General Motors, Philip Morris and Procter & Gamble — increased their expenditures. Lead news advertiser Kellogg bumped its spending nearly 53% to \$33.6 million, reflecting a surge in the adult-cereal category. Cereals, in fact, increased their advertising spending nearly 25% to \$64.3 million. But that apparently was not enough to offset other slipping categories such as domestic and imported cars, which were down 18% and 7%, respectively.

BETTING LINE: News CPMs will be closely tied to prime-time pricing. Consequently, news rates should grow in the mid-single-digits unless prime time takes off.

TOP TEN EARLY-MORNING ADVERTISERS			
Advertiser	1987 (millions)	1986 (millions)	% Change
Procter & Gamble	\$30.7	\$21.8	+45.5
Philip Morris	16.4	12.8	+28.1
Colgate-Palmolive	7.0	5.4	+29.6
Kellogg	6.9	4.8	+43.8
RJR Nabisco	5.8	5.2	+13.5
Quaker Oats	5.5	4.2	+31.0
Johnson & Johnson	5.0	2.8	+78.6
Ohio Mattress	3.5	1.4	+150.0
Lawrence M. ...	3.3	2.0	+65.0
AT&T	3.3	1.9	+73.7
Source: Broadcast Advertisers Reports			

TOP TEN LATE-NIGHT ADVERTISERS			
Advertiser	1987 (millions)	1986 (millions)	% Change
Anheuser-Busch	19.8	15.7	+26.1
Bristol-Myers	16.9	10.2	+85.7
RJR Nabisco	15.9	10.7	+48.6
Procter & Gamble	10.8	11.5	-6.1
AT&T	9.9	6.4	+54.7
PepsiCo	9.6	0.9	+966.7
Kraft	8.5	7.9	+7.6
Source: Broadcast Advertisers Reports			

TOP TEN NEWS ADVERTISERS			
Advertiser	1987 (millions)	1986 (millions)	% Change
American Home Prod.	26.9	22.0	+22.3
General Motors	24.0	27.3	-12.1
RJR Nabisco	21.9	16.9	+29.6
General Mills	18.9	17.6	+7.4
Sterling Drug	17.9	14.8	+21.0
Philip Morris	15.7	21.8	-28.0
Procter & Gamble	15.1	17.7	-14.7
Source: Broadcast Advertisers Reports			

PLATE PHOTOS BY MICHAEL ABRAHAMSON

AS THEY SEE IT

MEDIOLOGY

Gordon Link

*Executive vice president,
worldwide media director,
McCann-Erickson Worldwide,
New York*



OUR GLOBAL MARKETPLACE

For those of us who have spent our careers tracking and analyzing the complex U.S. media scene, the thought of doing the same on a worldwide basis can be daunting. But what happens in other countries can, and increasingly does, wash up on our shores, affecting our businesses directly and immediately. I won't rehash the significance of AGB's emergence on the American scene. But the AGB phenomenon is a prime example of the dramatic changes that will emanate from overseas. We must pay attention.

Any agency doing business abroad needs an intimate knowledge of current media peculiarities and opportunities within foreign countries. That is a given. Equally important, we must now plan ahead for such future developments as the fall of the European trade barriers in 1992 — an event that will have a profound effect on the way we approach media planning and buying. The anticipation of international

trends is, of course, difficult, but it is an area where media professionals can truly lead their clients, helping them preempt the competition in very meaningful ways.

How big is advertising's "global village"? It is not only large and growing at a healthy rate, but projections indicate that the rest of the world will supersede the United States (see Chart I on pg. 133).

As of 1985, 15 countries accounted for 90% of worldwide advertising expenditures. To dimensionalize their importance, these same 15 countries comprise 20% of worldwide population and 61% of global Gross National Product (Chart II).

Another way of measuring the vitality of advertising in these countries is to examine both the per-capita ad expenditures and the proportion of the country's Gross National Product (GNP) advertising represents. As expected, the U.S. exceeds all other countries in both categories. However, there are other countries whose per-capita ad expenditures are also quite high and whose advertising represents over 1% of the GNP (Chart III).

Totaled up, the top 15 markets evidence a per-capita advertising expenditure of \$161.00 — over 30 times greater than that of the rest of the world. The proportion of the GNP represented by advertising for the 15 markets is 1.6% — over three times that of the rest of the world.

In the United States, the compound media inflation rate index from 1980 to 1985 was 156 (1980 = 100). At the same time, the general economic compound inflation rate (as measured by the Consumer Price Index) was 130.1. A comparison between the two reveals that media inflation exceeded general economic inflation by 20% ($156/130.1 = 120$).

How does this stack up to the rest of the 15 major markets? Many countries demonstrate an index even lower than that of the U.S. This is primarily

attributable to the fact that the media inflation index is increasingly more in step with general economic inflation (see Chart IV).

There are a number of countries where the compound media inflation index is outpacing the general economic index. Australia and South Korea, for instance, are experiencing explosive economic growth, and the demand for time/space is accelerating at an even faster rate. In the past few years, the media inflation index has been leveling off, thus allowing the general economic inflation to "catch up." We expect this trend to continue through the end of the decade (see Chart V).

There is no error in Brazil's numbers. They reflect an incredibly heavy debt load (in excess of \$100 billion) and the resultant hyperactive inflation rate experienced in that country since the beginning of this decade.

Which medium captures the largest share of ad expenditures? Information was culled by medium for television, radio, newspapers, magazines and others (cinema, outdoor, transit, direct,

Media can lead clients by anticipating global trends.

business-to-business). Note: This includes local, regional and national media expenditures.

Newspapers garner the largest share of advertising expenditures in almost all the countries examined. (For those of you who are under 30, newspapers enjoy a 27% share of ad dollars in the U.S. versus 22% for television.) Many of the countries where television evinces a low share of ad expenditures are in Europe: West Germany — 9%;

ADVERTISING'S WORLD

A Statistical Analysis

Source: McCann-Erickson, (B) = billions.



Netherlands — 5%; Switzerland — 4%; Finland — 8%; France — 17%. The reasons for this are manifold: limited commercial-tv availability; an extensive and well established magazine/newspaper industry (i.e. high literacy rate); restricted tv commercialization policies; stringent television time-buying guidelines.

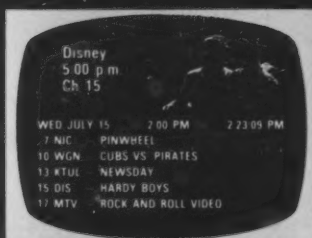
Let's examine the first point — limited commercial-tv availability. A review of the top 15 markets shows that

the United States has the greatest number of tv outlets — over 900. Italy boasts 511, but after that, the numbers decline precipitously. The Netherlands and Finland have two each. South Korea and the United Kingdom have three each, France has six, Spain seven and Germany nine. Switzerland has one station, which airs French, German and Italian programming. Government ownership of broadcast facilities is quite common in these countries, and only

recently has privatization been introduced as a means to expand the total tv "pie." More about this later.

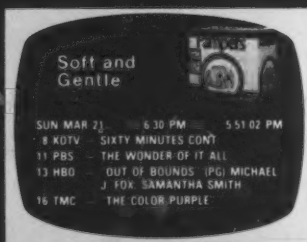
The flip side to a fledgling commercial-television environment is an entrenched and well developed print industry. The United Kingdom and West Germany each offer advertisers approximately 1,220 consumer-magazine titles. France and Italy each top 900 titles. A review of Brazilian media surely rounds out the point. As a strug-

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PREVUE

Guide

"The Kids a Natural"

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gling economy with a low literacy rate, Brazil claims only 60% tv-household penetration (the lowest of the top 15 markets) with over 130 tv stations. Yet it only offers 300 magazine titles.

Tv-commercialization policies vary widely by country. The dichotomy between those countries in which privatization is the predominant rule and those in which the government prevails is demonstrated by how these policies are stated: by hour versus by day.

In terms of television buying, the national tv outlets in West Germany

**Chart VI
PRIVATIZED TV**

Country	# Minutes/Hour
Japan	12
Brazil	15

GOVERNMENTAL TV

Country	# Minutes/Day
France	18
Switzerland	25

Source: McCann-Erickson

and France sell their time on an up-front, non-cancellable basis. Options do not exist; scatter does not exist. It is a "first come, first serve" business.

Future trends and implications: McCann-Erickson has made a major commitment and investment in monitoring the constantly evolving media and marketing environments around the globe. From all the data collected, we have identified a number of key media trends:

1. *Television in all its diverse forms (i.e. from over-the-air tv to DBS and VCR) will grow dramatically on both a household-coverage and usage basis. Television is acknowledged to be the most intrusive medium for advertising. However, it is estimated that global tv penetration is now 50-55%. The growth of tv penetration will be assisted by other forms of the medium — DBS and VCR. In the least devel-*

oped nations of the world, tv penetration will experience dramatic growth. In the developed countries, privatization of television channels will increase. It happened in Italy and will accelerate in France.

As more television options come on tap, usage of the medium will increase. This should lead to a greater influx of advertising dollars for the available time.

2. *Print media will grow but at a slower pace.* Television's growth will not spell doom for print. When privatization of commercial tv occurred in Italy, the advertising dollars earmarked for print did not decline. The improved education process in many countries has increased literacy rates. As economic conditions in many Third World countries show improvement, additional print vehicles will emerge.

3. *Advertising expenditures, expressed as a percentage of the GNP, will increase on a global basis.* The United States has consistently led the world in ad expenditures. McCann-Erickson believes the non-U.S. expenditures will grow at a sharp rate for the

Advertising expenditures as a percentage of GNP will increase on a global basis.

rest of this century for three reasons:

- Sales growth for many mature packaged-goods manufacturers will have to come from new markets. Recognizing this, advertisers will increase their marketing expenditures to build share.

- The process of globalization has created a heightened sense of competition. This will put pressure on the supply of advertising time and space.

- The expansion of commercial-tv availability, especially in strongly regulated television markets, will be met by the pent-up demand for time.

4. *The use of short-length tv com-*

mercials will increase globally. McCann-Erickson surveyed all major countries to determine the availability of short-length commercials (less than 30 seconds). The study revealed that:

- Almost all countries offer short-length commercials.

- Many do not attach a cost premium.

- In those countries where media inflation has outstripped general economic inflation, short-length commercials represent a means by which marketers may be able to regain lost advertising clout.

Utilization of short-length commercials (i.e. :15s) in the United States is a relatively recent phenomenon. While it is more entrenched in other countries, finding ways to communicate in a world of short tv commercials without sacrificing media and impact values is a global challenge.

5. *The viewer's ability and inclination to zip and zap tv commercials is growing.* Increased technology and viewing options have brought with them a less passive audience. Zipping and zapping, combined with an expanding short-length tv commercial environment and a literate viewer, make it critical that advertisers and agencies find ways to track, measure and deal with "audience flight."

6. *Major changes in political and economic structures will continue to pave the way for globalization.* The most salient and significant example will be set by Europe, where the changes wrought by the European Economic Community will come into full play in 1992. In an effort to create a single market, major trade barriers will be eliminated, resulting in business realignment and overall a freer flow of goods and services. Pricing structures will change and concurrently the competitive arena will change. Advertising will play an important role in the success or failure of many companies within this more vibrant marketplace.

While pan-European marketing is apt to undergo radical changes in 1992, pan-European media will evolve more slowly. The reason is simple: Differences in language and, to a lesser extent, culture will inhibit media's reach potential.

A likely solution will be to segment Europe by language and cultural sim-

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ilarities, not by national boundaries. In other words, cluster countries on the basis of broadcast and print-circulation delivery, using a system akin to the ADI concept in the U.S. Possible "cluster groups" include France-Belgium-Luxembourg-Switzerland; Austria-Germany-Switzerland; Italy-Switzerland; Great Britain-Ireland-Northern Ireland; and possibly the Scandinavian countries.

International companies with superior products and wide networks of production and distribution will prosper in the coming years. Marketers who are currently organized on a national basis and have not taken advantage of global potential will have to reorient their perspective.

So, media professionals, look for a new world to dawn. Not only are the challenges intriguing, but those who can successfully plot a global communications course will prosper right along with their clients. ■

TELEVISION

Leslie Poliak

*Vice president, director of spot broadcast,
Ketchum Advertising/San Francisco*



A SPOT-BUYER'S GUIDE

After several seasons of modest rate increases, stations are feeling bullish about the 1988 spot marketplace. And with good reason. The year started off with a sold-out network marketplace and promises to remain strong through the November

presidential elections.

Since broadcast is a supply-and-demand commodity, media buyers need to understand all the marketplace factors that can play havoc with budgets and plans. The following examines some of this year's key factors and provides tips to help buyers avoid paying premium prices for spot inventory.

A sold-out network marketplace. The network marketplace has the biggest initial influence on spot prices. When network is sold out, television advertisers compete for spot inventory in the top 20 markets.

Due to the confusing people-meter issue, this year's upfront marketplace sold out quickly — so quickly that several big-budget advertisers missed it. Those advertisers are now diverting funds into the spot marketplace, causing inventory to tighten and prices to rise.

It remains to be seen what effect the economy will have on network ad budgets in the future, but watch the spot marketplace take its cue from network.

If "options" are picked up, look for tightening conditions in spot. If network inventory loosens, prices could decline as budgets revert back to network.

The 1988 Olympics. Both the Winter and Summer Olympics will affect the marketplace. During the winter games, advertisers who could not afford the Olympics' premium prices turned to the CBS, NBC and Fox affiliates, as well as the stronger independents. This tightened station inventory kept normal first-quarter rates higher for programming that achieved lower ratings against the Olympics. Watch for the same problems to reoccur when the summer games air against reruns on competitive networks.

The 1988 political elections. With election-year ad revenues predicted at \$140 million, spot demand will be strong as political adversaries compete with national and local accounts for existing inventory. In addition, bonus no-charge spots frequently packaged with high-priced programs will be unavailable due to rules established for political rate structures. All this will add up to higher spot costs as the November election draws closer.

New base advertisers. Years ago, af-

filates and independents were ruled by large packaged-goods companies that leveraged enormous budgets into 52-week spot-market deals. Anxious to have the upfront money, stations quoted rates generally considered pre-emptible and cheap.

Today, automotive and airline advertisers are entering the market with big budgets and cost-per-point premiums used to purchase the most desir-

Stations are rightfully bullish about the 1988 spot marketplace.

able programming. While their planning costs are higher, efficiencies against upscale consumers are good. As a result, stations are now willing to decline large packaged-goods budgets based on "tonnage" rates in favor of these advertisers.

Prime-access demand. The prime-access daypart continues to produce local station revenue. For example, syndicated shows such as *Jeopardy* and *Wheel of Fortune* enjoy huge success in the access time period.

In some markets, *Wheel* and *Jeopardy* outdraw both network news as well as prime. In fact, New York's ABC affiliate has pushed back network news to allow for a full hour of prime-access programming. With a half-hour less of local early news, WABC's price will undoubtedly rise due to limited availabilities.

While advertisers who utilize prime heavily will have a new "hook" area, this expensive access programming and the lack of availabilities in early news will be bad news to tonnage advertisers who depend on the efficiency of fringe programming.

West Coast markets. Population growth, affluence and a materialistic lifestyle have inflated West Coast prices. At the same time, these markets suffer from abnormally low HUT levels and program ratings, resulting in high CPMs.

The Los Angeles market is one of the most highly inflated on the West

BRAND REPORT

No. 152: Financial Brokerage Services

THE CONFIDENCE GAME

by Paula Schnorbus

Retail stockbrokers may be taking comfort in Wall Street's gradual recovery, but don't expect them to trust it too soon. Last fall's 'round-the-world 500-point stock market crash sent some brokerages reeling into mergers, staff and budget cuts and profit losses. Retail revenues in 1987 for New York Stock Exchange member firms doing a public business accounted for only 40% to 42% of total

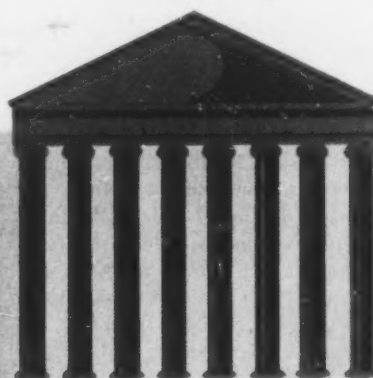
revenues of \$50.6 billion, according to Perrin Long, an analyst at Lipper Analytical Services Corp., as compared with 52% of \$50.036 billion in 1986.

"It's a tough market for retail brokers," barks John Lampe, Paine-Webber's director of advertising and public relations. "I don't care what the

others are telling you. Orders are down, and investors who are on the sidelines will probably stay on the sidelines."

So how do you market any financial products or services short of a savings account to people who are clutching their purses as if being approached by a gang of thugs?

Well, you certainly don't use slogans like Merrill Lynch's "Your world knows no boundaries" or even "Thank



FINANCIAL BROKERAGE SERVICES
1987 MEDIA EXPENDITURES (000)

	Total	Network Television*	Spot Television*	Cable TV Networks*	Network Radio	Spot Radio**	Magazines	Sunday Magazines	Newspaper***	Outdoor
Merrill Lynch	27,736.4	19,360.1	37.5	218.4	—	1,443.8	3,745.7	343.9	2,574.0	13.0
Prudential-Bache	16,868.9	10,290.6	806.9	171.7	477.4	273.1	2,757.6	136.4	1,955.2	—
Dean Witter Reynolds	13,267.9	11,494.1	30.0	24.3	—	—	1,340.6	—	378.9	—
Smith Barney	8,586.3	7,866.7	.3	544.6	—	—	—	—	174.7	—
Paine Webber	4,725.5	2,457.0	237.0	1,165.8	—	—	—	—	865.7	—
E.F. Hutton	4,367.7	2,374.6	79.1	—	—	169.1	497.0	—	1,245.6	2.3
Drexel Burnham Lambert	3,236.1	—	1,775.4	317.6	—	—	29.9	—	1,113.2	—
Shearson Lehman	1,830.1	—	—	—	—	344.2	13.9	21.3	1,425.4	25.3
Kidder, Peabody	857.5	—	—	4.2	—	21.5	410.7	—	421.1	—
Thomson McKinnon	451.0	—	—	9.0	—	1.6	14.2	—	426.2	—
A.G. Edwards	242.8	—	—	—	—	—	12.0	—	207.8	23.0

SOURCES: Leading National Advertisers (consumer services and general promotion); *Broadcast Advertisers Reports as reported to LNA for consumer services, general; **Radio Expenditure Reports (company total); ***Media Records (company total).

NOTE: Shearson Lehman and Hutton merged in 1988.

you, PaineWebber" — some still-smarting investors may not feel like thanking a brokerage house.

Merrill Lynch and PaineWebber were among the firms that moved forward with new creative almost as quickly as the stock market careened backward. Merrill put its chairman and CEO William A. Schreyer on the tube to hopefully create a calming effect on unhinged investors, and both Merrill and PaineWebber have continued with the reassurance trend, producing unscripted "straight-talk commercials." Merrill's "financial consultants," the new term for stockbrokers, have been looking at timely investment opportunities in :30 tv spots, and PaineWebber has already produced a whopping 36 :60 spots since the crash, with different company executives and brokers discussing what steps investors should be taking in the current market environment.

But the bottom line is brokerages want clients to establish dialogue with their brokers. This makes sense when one looks at a couple of statistics that don't bode well for stockbrokers. According to a general-public January 1988 study of financial alternatives commissioned by the Newspaper Advertising Bureau, 36% of those surveyed would pick a bank officer as their first choice for a financial advisor; a friend or relative was next at 23.1%; mutual-fund salesmen came in third with 15.4%; and stockbrokers managed to squeak in at fourth place, scraping up 12.2% of respondents polled.

Bruce Brittain, president of Brittain Associates Inc., an Atlanta-based marketing-research firm, says banks are popular because "banks have traded off the fact that people tend to trust commercial banks to get transactions done and that [a bank officer] doesn't have an ax to grind." There's a feeling among consumers, he claims, that "if you buy from a stockbroker, he's not an objective source."

In addition, says Long, "12.2% suggests that, by the time [investors] are executing an order, they don't need brokerage advice. They've already made up their minds as to what they're going to buy or sell."

This is further reinforced by statistics gathered during spring 1987 from Mediamark Research Inc., which



Merrill lately has shelved heavy use of the bull.

shows that of those people who have brokerage accounts, 69.3% contacted their brokers to purchase or sell stocks, and only 39.8% got in touch with brokers to get advice or price quotes.

More bad news for full-service financial-brokerage firms: Long maintains that when there is a slowdown in market activity, particularly equities, there is a greater tendency for investors to use discount brokerage facilities, which is understandable, reasons Long, because "we all want discounts." But David Pottruck, executive vice president, marketing and branch management of discount brokerage Charles Schwab & Co., says that "in a market like this, we take less heat for the poor performance of stocks than a full-service firm. We do better than full service, but not as well as before the market crash." All of Schwab's advertising is direct response, with coupons and 800 num-

bers. Pottruck admits Schwab is getting less calls since the October 19 collapse.

So what is the marketing message from retail brokerages? Discounter Schwab, like full-service firms, is telling investors to diversify their portfolios. Other firms are being more dramatic, such as newly merged Shearson Lehman Hutton, which as early as February began trumpeting that "The Worst is Over." But Smith Barney, Harris Upham is still "Making Money the Old-fashioned Way," with that nearly decade-old tagline. And everyone seems to be pushing fixed-income investments rather than equities.

Mutual-fund ads stopped running yields, especially on the equity funds, and Fidelity Investments has begun focusing on established customers. Neal Litvack, vice president, marketing, says that Fidelity's media buying has been cut about 25% and put into shareholder services. The crash prompted First Investors Corp., which had minimal advertising previously, to devise a new campaign to play up the firm's track record of monthly dividend checks.

Marketing departments at brokerage firms are being turned topsy-turvy too. Thomson McKinnon started beefing up its department the summer before the crash, and PaineWebber acquired Joe Grano, former national sales director at Merrill Lynch. Grano has centralized marketing staff and also vertically integrated marketing into product areas. Kidder, Peabody & Co. has downsized its marketing staff.

A lot of marketing is done on the local level, with brokerages relying heavily on what the branches report back. The national office then provides materials on specific products. Local seminars have been growing in importance also. Local print advertising is the standard medium, but brokerage houses are divided on tv advertising, with only the big houses using it to any great extent.

To determine the most consumer-oriented of the brokerage houses, a ranking was compiled based on data from the individual houses using the firms' total number of retail brokers: Merrill Lynch, 13,000; Shearson Lehman Hutton, 11,500; Dean Witter Reynolds, 7,600; Prudential-Bache Securities, 5,000; PaineWebber,

Stockbrokers are the stars of image-building tv ads.



4,300; A.G. Edwards, 3,200; Smith Barney, 2,250; Thomson McKinnon, 2,200; Kidder, Peabody, 1,600; Drexel Burnham Lambert, 1,200.

Merrill Lynch & Co.

The Merrill Lynch bull had been running rampant in settings most unusual to bovine habitation, such as Wall Street and even along a beach to illustrate that "Your World Should Know No Boundaries."

Along came October 19 and, instead of the trotting bull, Merrill Lynch executives, including William A. Schreyer, chairman and chief executive officer, appeared in what have been dubbed the "straight-talk" commercials. Merrill wanted to take a "very public position and be quickly out there to calm investors with information on the market situation, of how it was going," says Debbie L. Mandelker, vice president and manager of marketing services. The tv spots and a new print campaign started the same week as the Monday crash.

The straight-talk series has continued with Merrill's financial consultants



Merrill goes for the good old days in its "Tradition of Trust" ads.

looking at different areas of investment, Mandelker says. "We don't script them. It's done in a way they would answer real people's questions," she explains. There are about four of those on average. As new 30-second spots are added, less timely commercials are pulled. Mandelker says Merrill has been focusing on a strategy that proved to be prudent in the market situation; that is, the relationship of a client with a financial consultant and also the diversification of Merrill's products.



Orange County paper-route.

Orange County adults accounted for over 1 million air trips last year. Every day, the Register reaches 48% of these travelers — in contrast to just 36% reached by the largest L.A. paper. (Scarborough's 1987 Newspaper Ratings Study)

THE ORANGE COUNTY
Register
METROGROUP

The leading medium in Southern California's richest market. Represented by CWO&O

In addition, Merrill is running about four historical vignettes that demonstrate the firm's commitment to its clients, hence the new tagline of "A Tradition of Trust." There are four of those also, and they are executed in a "Capra-esque" style, says Mandelker, referring to famed movie director Frank Capra. And the bull is back, but in electronic form and running across a tickertape.

All of these are supposed to appeal to Merrill's target audience, which is primarily in its mid-40s, "slightly more affluent" at \$50,000 annual household income. Other targets are younger and emerging investors and even small to medium-sized businesses.

The standard :60 local and network radio spots and local newspapers and the *Wall Street Journal* are used. An 800 number appears in the print ads but not in the tv ads.

Mandelker says that the Merrill message is "better and more openly received in an environment where people take you more seriously." *Yachting* may be read by investors, "but it's the unreal part of their day," observes Mandelker. If a lifestyle book is used, it may be *Atlantic Monthly*, *Smithson-*

**Merrill discovered
that unfortunately
your world
does have
boundaries.**



ian or *Harper's*. Business magazines such as *Forbes* also are used.

Merrill also is a proponent of "event media." Reasons Mandelker, "It's more effective to 'own' events than to be a little of everything." Merrill actively promoted itself during the winter Olympics and continues to do so on election-oriented events. Mandelker

notes that Merrill won't solely sponsor tv shows, but they will fund sports or cultural events.

Merrill's agency of two years has been Bozell, Jacobs, Kenyon & Eckhardt, and there also is an in-house agency for local advertising.

Shearson Lehman Hutton

Aggressive might be the way to describe Shearson Lehman Hutton's February advertising that maintained "The Worst is Over." The firm has been doing a "where-we-stand" campaign with a strong point of view that provides investment advice and also a view of where the market is headed.

"We're bullish," says Catherine Kaputa, vice president, director of advertising. "We feel the equity market is going to turn up." They aren't just singing the praises of equities but also other products, such as Texas municipal bonds, that Shearson thinks are undervalued.

In addition to those commercials, the style of which Shearson had been using pre-crash, notes Kaputa, the firm also does similar print ads as well as the product-specific ads. When "The Worst is Over" ran, a national print ad was run simultaneously listing nine reasons why the bear market was over. An 800 number was provided to call

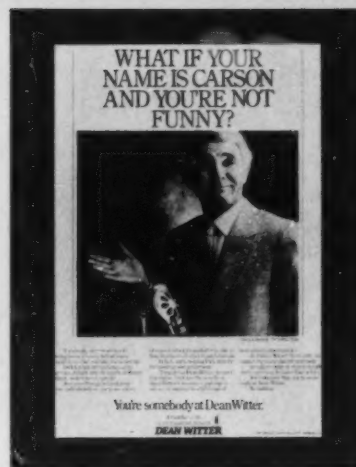
quarterly research campaign found that investors weren't feeling as negative as had been feared. "While they may have lost value in a portfolio, they were holding on. They were concerned about volatility, which is not a surprise, but there was more optimism there," she says, adding, "They didn't blame their brokers."

Shearson's local newspaper campaigns include "The Worst is Over" angle as well as product-specific ads. There is couponing for direct response in print ads and also taglines on radio with the 800 number.

McCann-Erickson is developing a new image campaign for the recently merged Shearson Lehman Hutton. Kaputa estimates that it will be launched in late summer or early fall. The ad budget worldwide will be more than \$25 million, or about the same as last year, says Kaputa.

Dean Witter Reynolds

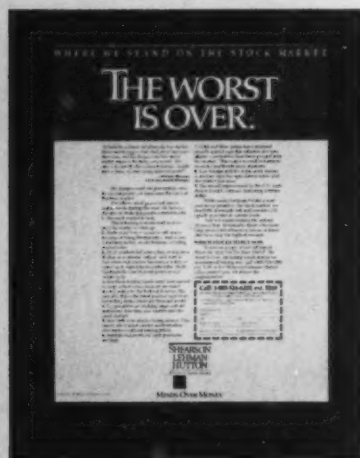
Dean Witter was one of the big retail brokerage houses that barely acknowledged in its advertising that there ever was a crash. The firm still used its



Dean Witter makes stars of celebrity siblings.

"You're Somebody at Dean Witter" for the headline, but there was a different, "reassuring message."

Lord, Geller, Federico, Einstein became the agency for Dean Witter at the end of 1985 — their association was reconfirmed at press time — and coined the original "Everybody is Somebody



A bold Shearson Lehman Hutton trumpeted, "The Worst is Over."

for a report with the stocks Shearson liked at the time, generating several thousand responses. Their target is the \$50,000-a-year-plus audience.

Kaputa says that a recent Shearson

Some people like CD's.

29% of our readers hold 6-month CD's. 28% have money market funds. 40% are stockholders, and average assets and investments are \$188,500.

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at Dean Witter." The Sears, Roebuck & Co. unit goes after a less-affluent target audience, analysts say. Dean Witter also has the benefit of dipping into a "household file" Sears has compiled of its customers.

"They go after any customer they can find, generally speaking," says Perrin Long, an analyst at Lipper Analytical Services Corp. "Over the years, the average net worth of a Witter customer has been somewhat lower than a Merrill or Shearson customer." Howard Clark, managing partner of Clark, Dwight & Associates, a Greenwich, Conn.-based marketing consulting firm, thinks that as other brokerage houses set their sights on more upscale customers, "it leaves Dean Witter an opportunity to pick up the market share that's being given up by

Dean Witter has the advantage of dipping into the files of its parent, Sears.

the Merrills and Shearsons."

Dean Witter's ads are product specific, particularly on a local basis, as well as image-oriented, claiming you don't have to be actor James Garner to be somebody at Dean Witter; you can be his brother or Neil Armstrong's sister or the sibling of a host of celebrities mentioned in the ads.

Media placements have been unusual for a brokerage firm, appearing on prime-time shows such as *Moonlighting* and *The Cosby Show* and also the usual news and sports shows. But that was last year, and Moira Hearne, management supervisor for the Witter account at Lord, Geller, says they have gotten a little more selective. Prime time is expected to be used through second quarter, but its future as a media

buy is uncertain.

Magazine usage last year was in business books, including *Black Enterprise*, and also the weekly news magazines and *Sports Illustrated*. Dean Witter was one of the first to market to women, but now advertising in women's books such as *Working Woman* and *Savvy* is confined to job recruitment.

LNA reports that Dean Witter spent almost \$13 million in its broker and consumer-service advertising.

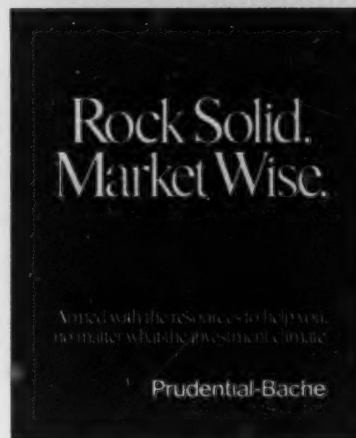
Prudential-Bache Securities

Pru-Bache acknowledged the crash by embellishing on its "Rock Solid, Market Wise" slogan, which had been used for more than a year before the October fall. Afterward, it basically continued but with a twist: "Now, especially now, you need a firm that's rock solid." Lately, it's been back to "Rock Solid, Market Wise" but with a qualifier in the print ads: "Armed with the resources to help you no matter what the investment climate."

The revisions were made in the print ads, and Pru-Bache also produced a :30 tv spot in no time, which was reinforced by its radio advertising.

With the change of season — Pru-Bache doesn't advertise during the holidays because tv viewing and reading patterns change — the creative was redone. A new :30 ad shows people involved in an investment transaction.

The firm also pitches its products in print ads, even the sports and lifestyle magazines that many brokerage firms avoid, but it doesn't use much direct mail when targeting its \$50,000-to-\$75,000-plus-a-year audience of professional types. Says Russell LaBrasca, director of national sales and marketing, "We feel our account executive force is extremely qualified. We try to work with them to give them the tools to market the way they think best." Since the beginning of the year, outdoor ads bearing the "Rock Solid, Market Wise" slogan may be seen in 14 markets, according to Peter Costiglio, senior vice president, public communications, adding that last year the effort was very successful, prompting more dollars to be pumped into the medium. Favorite billboard spots are commuter railroads, airports and telephone booths. Costiglio says Pru-Bache's ad



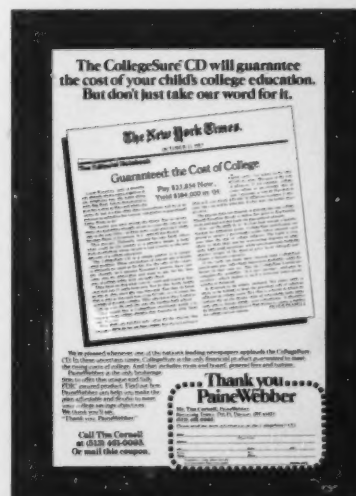
Pru-Bache borrows the rock from parent Prudential Insurance.

budget is \$17 million to \$18 million, the same as last year. Backer Spielvogel Bates has been the agency for close to three years.

Seminars that were once product-specific are broader with discussions of strategy, such as where the economy is going according to Pru-Bache. Based on that, says LaBrasca, several different investments are highlighted rather than a big pitch for one product.

PaineWebber

It seems there are no holds barred at PaineWebber when it comes to shooting :60 "special report" commercials, and since October 19, more than 36 have been produced.



PaineWebber has advertised heavily in local newspapers.

PaineWebber was another firm that has switched gears, pulling the "Thank You, PaineWebber" ads that have run since 1976 in favor of commercials that deal with everything from "what you should be doing in this type of market climate to an occasional product-specific ad," says Joe Grano, president of retail sales. The spots are designed as one-on-one, question-and-answer sessions between an interviewer and everyone from Grano to PaineWebber stockbrokers. One spot urges all investors to review their portfolios with a full-service firm, even if it isn't PaineWebber. Another spot shows Grano warning that "brokers who put commissions ahead of customer interest wouldn't last very long."

Basically, says Grano, PaineWebber is advising clients to maintain a high level of dialogue with their brokers, and the corporate philosophy is that PaineWebber "profits through customer satisfaction rather than transactions." Branch offices have adopted special hours and more seminars in the past few months. PaineWebber's customers are the traditional earners of \$50,000 plus a year.

Marketing of specific products has gravitated to fixed-income vehicles, which Grano says will be "adjusted accordingly as the market begins to show a discernible trend."

Image spots are still being shown, but to a lesser extent. At the time of the crash, new commercials with sports personalities Jimmy Connors and Arnold Palmer — as well as a newer spokesman, violin virtuoso Itzhak Perlman — had just been produced, so the voiceover has been changed to be more timely.

National print advertising has been largely ignored, but local newspaper advertising investments have doubled, says John Lampe, director of advertising and public relations. Magazines aren't used because of their long closing dates.

PaineWebber has always been a big believer in classical radio. Classical music listeners demographically often fit the description "affluent professional," which "almost matches perfectly the ideal PaineWebber retail client," says Lampe. The voiceover of the :60 special-report tv spots are used for radio advertising.

A.G. Edwards & Sons

The only regional firm to make the top-10 list based on its 3,200 retail brokers is A.G. Edwards & Sons of St. Louis, Mo. National advertising has been foreign to this firm, which has only advertised once in the *Wall Street Journal*, and that was to announce its 100th anniversary last year.

Recently, Edwards started co-spon-



A.G. Edwards lets its branch managers advertise as they see fit.

soring, with Kidder, Peabody & Co., the nightly *Business Report* on PBS, and that national recognition is only in a :10 blurb, says Edwards' Richard Grabish, vice president and director of marketing services.

Grabish explains that each of the roughly 352 branches is "its own little company. Each branch markets as they see fit," he explains, adding that "we're not a big, splashy firm. We don't try to toot our own horn. That's a double-edged sword."

Actually, Edwards does have a couple of :30 image commercials that are shown locally, as well as product-specific ads. The corporate communications department, which produces the ads, supplies the local offices with ad copy and radio scripts, depending on the needs of the branch offices.

Some branch managers produce their own tv advertising, but Mary Atkin, vice president of corporate communications, says that only 10% to 15% of the branches use tv ads. There isn't any outside ad agency.

"Our goal," explains Grabish, "is

that real marketing, target penetration, is done between the broker and the client. Good service, competitive pricing, account loyalty and retention are the real strengths the broker has." Edwards' clients are described as middle and upper-middle class. Market research isn't done on a national level, says Grabish. "We're pretty negligent in identifying our own client base, but the broker knows more than someone in the home office," he maintains.

Sponsorships may be done on an individual basis by local branches, and brokers may be guests on talk shows or call-in shows. Grabish says there is no orchestrated movement to generate programming.

Edwards promotional budget last year was \$4 million to \$5 million.

Smith Barney, Harris Upham & Co.

Smith Barney is still trying to make money the old-fashioned way, such as using the same pre-crash ad theme that has been around since 1979, with the minor change of Leo McKern as the spokesman instead of John Houseman.

"Investing is a long-term business," explains Robert Connor, a managing director at Smith Barney. "We have a long-term approach to it. We felt our message is general enough to apply to that particular approach. We didn't see any need for changing it on the spot after [October 19]." Not only that, the new spots with McKern just came out in late September.

Smith Barney's "affluent" target rakes in \$100,000 plus yearly, one of the most upscale of the retail brokerage houses. "We aren't a discount house," huffs Connor.



Smith Barney wants to make money the old-fashioned way, with a well-worn tagline.

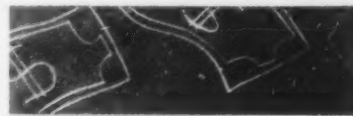
Smith Barney doesn't use national magazines. "We just focus on tv. It works for us," says Connor. There are awareness ads that emphasize the quality of Smith Barney's employees and service. Currently, there are four :30 ads featuring McKern, and more will be produced this year. In the current spots, McKern has a "wife" to "take away the austerity of the Houseman commercials," notes Connor. The tv spots appear on news and sports programming, or the traditional shows used by the brokerage industry. In addition,

local newspaper ads focus on product-specific pitches. Ogilvy & Mather has been the agency since 1979.

Direct-mail pieces go out an average of once a month. Connor says that, much like other firms, there is a focus on research, with the latest update of recommended equities and other product information. Connor also says that direct-mail and local advertising accounts for 20% of the ad budget, and tv and associated production costs make up the other 80%.

LNA reports that last year Smith

Smith Barney's tv ads account for a whopping 80% of the budget.



WHAT'S WRONG WITH THIS PICTURE?

(HINT: KANSAS CITY HAS BEEN OVERLOOKED)



Overlooked? We're used to it, even though we're an outsized auto market, leaving places like Cincinnati, Cleveland, Denver, Milwaukee, Orlando and Phoenix in the dust.

Even some major marketers have made the mistake of leaving out Kansas City when they make top 20 or 30 buys. But the ones who have looked closely at national rankings and at the vitality of the Kansas City market know better. They know that among other things, KC is a Top 30 performer in retail sales, food store & supermarket sales and purchases of petroleum products.

KC also places considerably above the national average in purchases of alcoholic beverages, appliances and

insurance.

Once you've discovered KC, choosing the most effective ad medium is easy: It's The Star & Times. Our Sunday readership alone (753,000) humbles the competition. Weekdays, we reach two-thirds of households with \$50,000+ incomes.

Before you put together your marketing plan, look closely: If you've overlooked Kansas City there's something wrong with that picture. Call our general advertising manager, Jack Hines at 816-234-4179 today for more on the must-buy KC market.

Sources: SBP '87 and Belden Associates - represented nationally by Creamer, Woodward, O'Mara & Ormsbee Inc.

CHECK THE SOURCE
The Kansas City
Star & Times

Barney had ad expenditures of about \$8.4 million, most of which was spent on network tv, and cable to a lesser extent.

Thomson McKinnon Securities

Here's a full-service agency that ironically decided to become more market driven in the middle of 1987, bringing in a new senior vice president of marketing, Steve Gasper Jr. It may come as no surprise that Thomson-McKinnon has never had a long-term relationship with an ad agency and was interviewing candidates at press time.

It's not as if advertising has been non-existent. The marketing department has been developing advertising on a local level for its branch offices. Jeffrey S. Wolfson, vice president, marketing, says that the home office in New York is "taking a far more active role with what [the branches] advertise,

How did your broker do against Thomson McKinnon?

Thomson McKinnon boasts about its stock picks.

when they should advertise and how to coordinate activities in a far better way."

Wolfson, who only joined Thomson McKinnon in November and is formerly of Citibank, Nestlé, General Foods and General Mills, says that Thomson's management evaluated the company and decided to concentrate more on the retail business, "where there is the greatest opportunity for growth." The full-service firm is the eighth-largest based on the number of retail representatives and the 17th largest firm based on stated capital. "Our numbers suggest that our retail network is strong, and while the capital position is strong, it's not as big as some of the very large firms, such as Merrill," explains Wolfson.

Thomson McKinnon is still fine-tuning its target markets, but primarily the investor audience is 35 to 64, with a "slight skew to males with higher incomes," such as the seemingly universal \$50,000-plus group, but Wolfson says that doesn't exclude the emerging investor as a secondary target audience.

Thomson McKinnon has been beefing up its marketing department.



The media plan is mostly local, with image and product ads primarily running in newspapers and some :30 and :60 radio spots. National advertising in the *New York Times* and *Wall Street Journal*. Outdoor is used to a lesser extent. New business is generated with

referrals from Thomson's "very loyal client base," boasts Wolfson, and investment seminars are also an excellent opportunity for new business. Thomson's financial consultants also appear on local radio and tv with daily stock-market reports. Wolfson says the company "aggressively pursues" those opportunities.

Kidder, Peabody & Co.

Kidder, Peabody, acquired by General Electric Co. two years ago, has been looking for a firm-wide, image-oriented campaign, says Steven Schwarzkopf, vice president, corporate communications, who adds that Kidder in recent years "hasn't been an aggressive advertiser."

Currently, the firm is trying to put together an all-print media plan to hook its target audience of investors with annual household income of \$75,000 to \$100,000-plus, as well as owners of small to mid-size businesses and corporate executives "who have sizable incomes" and heirs to inheritances.

"Kidder doesn't advertise a whole lot, but it does have a reputation," ex-



KIWANIS MAGAZINE

KIWANIS magazine delivers a unique, quality audience of top executives, small business, professional and community leaders.

79.3% make purchasing decisions/have purchasing influence for their firms including:

- 44.4% for company banking services
- 51.5% for company insurance services
- 38.9% for company pension, retirement funds

Personally:

- 52.6% own stocks
- 18.1% own bonds
- 62.6% own an IRA or Keogh plan
- 43.3% own mutual funds
- 40.0% own money market funds
- 34.1% own C.D.s

For additional information, call or write:

Kiwanis International
3636 Woodview Trace
Indianapolis, IN 46268
Phone: 317/875-8755
Telex: TWX 810-341-3471
FAX: 317/879-0204

(Source: A.C.M.S., 6/87, "Readers In Business"
Complete copy available upon request.)

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**"YOU'D DIE
IF YOU HAD
OUR JOB."**

**YOU COULD LEARN A LOT
FROM A DUMMY.
BUCKLE YOUR SAFETY BELT.**

A Public Service Message U.S. Department of Transportation

plains Schwarzkopf. "Some people think a lack of advertising enhances that mystique. I personally don't share that."

Direct mail is a favored marketing medium, claims Schwarzkopf, because a "two or three page letter can do a better job than some ad." Two years ago, Kidder wasn't very involved in direct mail. Now there are four to five mailings a year of 200,000 to 400,000 pieces each. This is vast, says Schwarzkopf, because there are only about three million prospective "affluent" clients. The direct-mail pieces are "upscale packages" of specific ideas for affluent clients.

Nevertheless, Kidder's ad budget is estimated to be about \$2 million to \$4 million. They don't really use tv because of the expense. "Kidder has never spent that kind of money in marketing and advertising," says Schwarzkopf. Kidder has "explored radio but found it wasn't really efficient for our particular needs." Business or lifestyle books aren't Kidder's bailiwick, either.

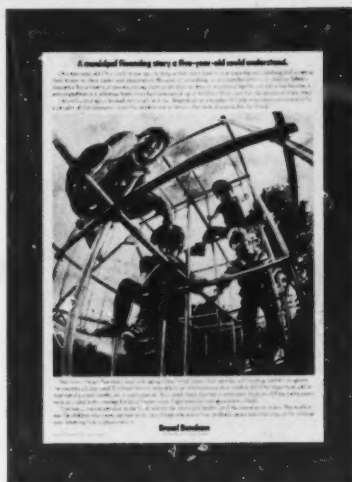
Schwarzkopf says that the individual brokers have been responsible for building business. "They really do it through referrals, networking and trying to be an upscale type of broker that provides the special services and attention that our market is looking for," he explains.

Meanwhile, Kidder has closed or downsized several branches. The marketing department has gotten "a bit smaller, but more focused," says Schwarzkopf, who quickly adds that October 19 wasn't the only reason for the scaling back.

Kidder does do special creative for special products for local newspaper advertising, as well as the *Wall Street Journal*. Branch office brokers will give financial updates for local radio or tv.

Drexel Burnham Lambert

Drexel, a name not usually synonymous with retail brokerages, continues the tradition by having an image campaign not related to retail services at all. Instead, in five :60 commercials and six print ads by Chiat/Day, it addresses the wonders of its high-yield or junk bonds and what innovative financings can do for a community.



Drexel shows off the wonders of junk bonds.

"They talk about the human side of finance and what happens after the money is raised," says Angela Zizzi Dailey, senior vice president, director of corporate communications. The tv ad tagline is "Innovative thinking is not just good for business but for everyone."

Elizabeth Tower, vice president, advertising, says the creative hasn't changed since the crash. "We were really lucky our strategy held up the way it did," she boasts, adding that the commercials aren't being tailored to address the crash.

But one of the ads that spoke of what junk bonds did for Vidalia, La., caused a stir when the *Wall Street Journal* claimed Drexel fudged the facts. Among other things, it was brought out that the spot was actually filmed in Port Smith, Ark. Dailey says that "from what I know about advertising, this is a very standard procedure."

There aren't any product-specific ads directed at retail customers and no "massive campaigns to bring in leads for brokers," says Dailey. Tower says an in-house agency produces and places print ads for brokers. She wouldn't reveal the budget, but said, "If Merrill is spending \$1 million, we're spending \$100,000."

LNA reports that Drexel spent \$2.1 million on consumer services and general promotion; Media Records shows a company total of \$1.1 million in newspapers. ■

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The Magazine for Financial & Accounting Professionals

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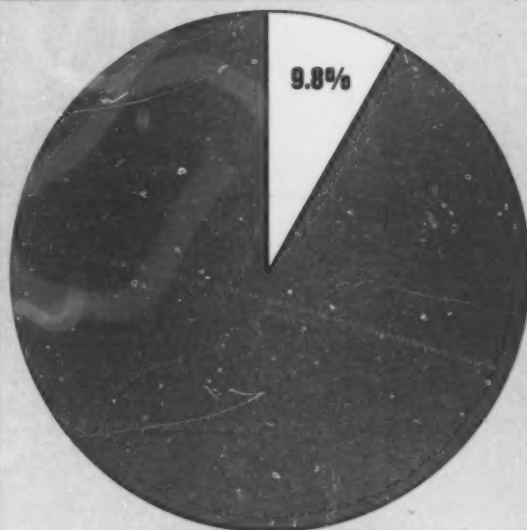
(Audit applied for) Complete details in May SRDS.



BRAND REPORT INDEX

FINANCIAL SERVICES

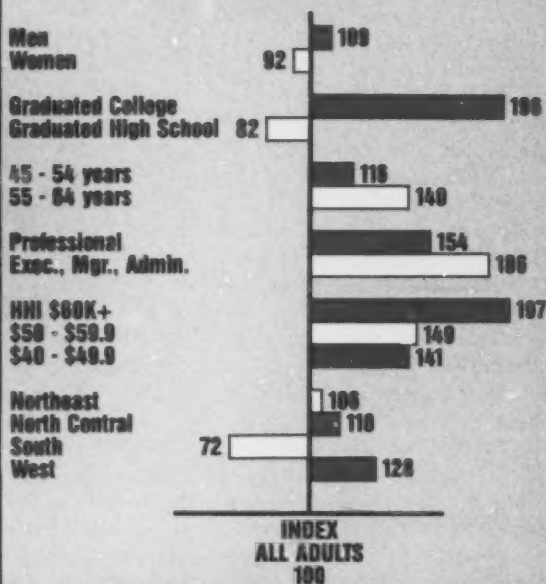
How to read: Our indices of user demographics and media preferences are used to indicate the direction and amount of difference from the average. The index of the average is, by definition, 100. Thus, an index of 112 reflects a 12% above-average incidence. An index of 89 indicates an 11% below-average incidence.



**% of all Adults
Having One or More
Brokerage-Firm Accounts**

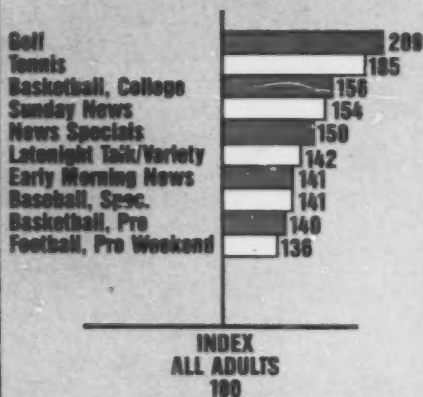
Mediamark Research Inc. Spring, 1987

KEY DEMOGRAPHICS OF BROKERAGE-ACCOUNT HOLDERS



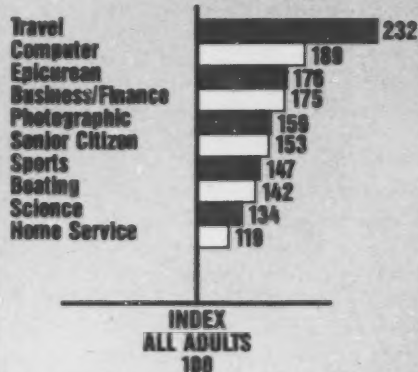
Mediamark Research Inc. Spring, 1987

PREFERRED TV PROGRAM TYPES Among Brokerage-Account Holders



Mediamark Research Inc. Spring, 1987

PREFERRED MAGAZINE TYPES Among Brokerage-Account Holders



Mediamark Research Inc. Spring, 1987

POINT/COUNTERPOINT/

VIDEOCASSETTE ADS: PAUSE OR PLAY?

COLLECTING THE FACTS

Videocassette recorders represent a bonafide new development on the American media-landscape that Kraft wants to become more conversant with.

We know that at the end of 1987, penetration was 54% of U.S. television households. Significantly, this had grown over 50% versus just two years ago (31% of U.S. tv households in 1985). The highest television-market VCR penetration currently is in Reno, Nevada, at 77%.

We know from A.C. Nielsen that VCR penetration tends to parallel the incidence of our primary target consumers (women 25-54). In addition, VCR penetration is higher in households of working women and also households with pay cable. From this we conclude that we run a risk of losing target consumers if we depend solely on conventional media.

SMRB and MRI offer some valuable insights into user behavior:

- Rental/purchase of videocassette tapes has quickly become a very large business. Combined rental/purchase was estimated at just under \$5 billion in 1987, +29% versus a year ago.

- The bulk of this is in rental, which is estimated to be six to seven times purchase levels.

- The average number of rentals is around 15-20 per year.

- Lighter tv viewers tend to rent.

- Both rental and purchase skew toward adults 25-49 and households with children.

We also know that VCR playback supplements regular tv viewing. The average household spends about 7.5 hours a day viewing television. Homes with a VCR play tapes about 45 minutes a day in addition to tv viewing time. This playback is both home recorded and rental. Most of the playback (55%) is concentrated on the weekend.

Our use of videocassettes to date has

been promotional in nature. For example, we tested a "how-to" cooking video directed toward children in mid-1987. This was moderately successful, with unit sales approaching five figures.

The alternative use of tapes is as an advertising vehicle. One way to do this involves adding a commercial message to a movie tape in the manner done by Diet Pepsi with *Top Gun* in 1986. Another is to use the videocassette box as an advertising carrier in much the manner of a billboard. Kraft currently has no experience with either of these approaches.

The big concern about advertising on videocassettes, of course, has to do with "zipping." There is nothing to keep the videocassette purchaser/renter from fast-forwarding through your commercial message. We know from other sources that, with off-air recording, there is a big gap between recorded time and playback time — with playback estimated to be 30% less than what is recorded. The obvious casualties here are the commercial messages in the recorded material.

The key to making this work appears to be how well-matched the commercial message is to the subject matter of the movie "carrier." At a minimum, advertising effectively on videocassettes calls for a very deft selection of message and excellent production values to make it worth the viewer's time to watch the commercial.

The fact that many other major advertisers are looking into advertising on videocassettes — Chrysler, Nestlé, General Mills, Miller Brewing, Colgate, Gallo — argues for understanding

how to take advantage of this phenomenon. It recently was noted that the number-one recreational activity among Americans was watching a tape on the weekend — at nearly twice the level of reading a book, going to a concert or movie, etc. Because view-

ing of videocassette material effectively removes a large number of GRPs from the market (one estimate was that over 3 million GRPs per month were "lost" to VCRs), advertisers need to be knowledgeable about this new advertising vehicle and how to use it to their advantage.

Stephen W. Rutledge is vice president of advertising for Kraft Inc.



OUR READERS TELL US...

While the majority of our agency media-department sample have yet to place an advertiser on videocassette, Research USA, Chicago, finds they almost all agree it is their responsibility to handle any such placements. (Base = 138.)

1. How much opportunity does home video offer to reach your target?

Excellent opportunity	8.0%
Good opportunity	26.8
Fair opportunity	47.1
Poor opportunity	18.1

2. What would be the most important factor in your decision to use home video for a client's ad?

Effective audience measurement	55.2%
Quantifiable CPM	22.5

POLL

MAKING THEM FLY

Home video and the market it is creating present not only an opportunity but also a big challenge. It calls on us to rethink and reshape all of our marketing efforts.

When Pepsi pioneered advertising on home video by putting Diet Pepsi's "Mustang" spot on Paramount's *Top Gun*, considerable care went into the planning. That initiative and the promotion surrounding it was a direct reflection of Pepsi's marketing philosophy and strategy, what we call "Big Event Marketing."

The Big Event is built on the principle that you *drive* consumption and not simply accept whatever rate of growth might exist on its own. We create big marketing events that capture the minds and the imagination of consumers, and we leverage that attention in the stores.

The *Top Gun* promotion succeeded because, from the very start, it met a set of strategic requirements that qualified it as a Big Event.

The element that started it all was the Diet Pepsi spot "Mustang": A thirsty fighter pilot uses a little creativity and skill to overcome a malfunction

in his "refreshment system." With the blockbuster success of the film it worshipped (*Top Gun* had already grossed \$200 million), we began to realize that "Mustang" had the makings of not just a Big Event but a genuinely unique one as well.

We worked with Paramount to put "Mustang" on every *Top Gun* cassette manufactured. They planned a major marketing and merchandising push behind the release, and we modified our television spot with a tag line that encouraged people to buy the tape.

Next, because of the joint effort, Paramount made the decision to release *Top Gun* at the lowest suggested retail price ever asked for a major box-office hit, \$26.95. Some retailers discounted it to as low as \$19.95.

Finally, as a grand slam, we created a major sales promotion event for retail grocers around the *Top Gun* theme. Top prize was a trip to the Reno Air Races and a Mustang ride with that old Top Gun himself, Chuck Yeager.

In the end, we had a win/win/win situation. Pepsi won because the event

drove our sales to record heights. Paramount won because the projected sale of 1.5 million cassettes became 3 million — the largest ever by far. And maybe most importantly, the consumer won because a great motion picture became available at a great price.

With *Top Gun*, we realized going in that we could succeed if, and only if, the benefit of our being there was evident to the consumer. We had to be sure that the consumer would agree that this is an appropriate place for us.

When *Top Gun* was released with "Mustang," we found that virtually none of the people who bought the tape were skipping the commercial. I think that is because the commercial was exciting, it was unobtrusive and it flowed naturally into the movie.

Home video is a new medium and potentially a powerful one. But it is also a medium that is possible to misuse. Just as the medium we use to advertise fish sticks isn't always right for financial services, not every product and not every spot is right for video.

Video requires great thought and planning for marketers. I don't think the consumer will be quick to forgive those who misuse it.

Michael K. Lorelli is executive vice president of marketing and national sales for the Pepsi-Cola Company.



National coverage of target	10.1	4. Who should handle the placement of home-video ads?	Other	0.7
Ad environment	44.2		No answer	2.2
Other	7.2	Client	3.6%	
None of these	1.4	Agency	90.6	6. Do you need special creative for home video?
		Home-video consultant	9.4	Yes
3. Which home-video option do you consider to be the most appropriate for general advertising?		Other	1.4	74.6%
Theatrical releases	70.3%	No answer	1.4	No
Independent, exclusive-to-video productions	21.0			23.2
Advertiser-produced programming	13.8	5. In what part of a home video is it most desirable to place ads?	No answer	2.2
		Beginning	74.6%	7. Have you involved any of your clients in home-video opportunities?
		Middle	21.7	Yes
		End	2.9	12.3%
				No
				87.7%

SALES PROMOTION

by Russ Bowman

IS "FREE" MAKING A COMEBACK?

Every May and October, the months when two major premium and incentive shows get underway, many of the country's sales-promotion professionals stop to take another look at what's going on in this world. This year, over 2,000 exhibitors displaying some 200,000 premiums will be showing from May 2 through May 5 at the Javits Convention Center in New York City.

Premium reps and suppliers believe their method of motivating consumers is better for brands than a continuous flood of price-oriented tactics such as coupons and rebates. There are some signs that a more balanced menu of consumer incentives could be on the horizon.

A quick look back at not-too-ancient history shows that, according to a series of audits by D.L. Blair, premiums were the most used tactics about 20 years ago. Then, in the mid-1970s, coupons came on strong and have dominated the scene ever since (see chart on pg. 164).

A study of all free-

standing-insert ads during the first quarter of 1988 turned up 30 different promotional ads offering premiums in one form or another. The following brief recap of this representative sample of promotion today shows that a surprising 18 out of 30 offers (60%) were free premiums and that all but seven of the premium ads also carried coupons. This quick survey tends to confirm what experts throughout the industry have been saying. For example, Debbie Hauss, editor of *Premium & Incentive Business* magazine, sees both regional, in-pack and free premiums as the big gainers in her industry. "In the last full year of our annual premium audits [1986], free premiums were up by 16.1%, a considerable difference versus the overall industry average of [3.5%]," Hauss states.

A few of the free premiums in the first quarter '88 study include:

- A free baseball from Oscar Mayer (General



Too cool: Over 15 million Raisins were sold at Hardees.

Foods);

- A giveaway Olympic key ring from Clairol featured in a two-page magazine spread;

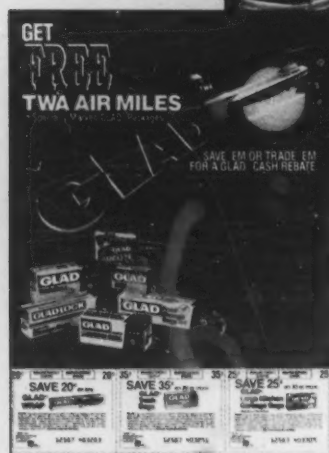
- A free pair of kid's sneakers from Kimberly Clark's Huggies for 24 proofs-of-purchase;

- And a nostalgic return to the kid's radio heroes of the 1930s and '40s with a free Captain Midnight Secret Squadron watch from Ovaltine.

Another unusual free premium story comes from the liquor industry, which generally runs either self-liquidating premiums or sweepstakes. J&B Scotch had been suffering a long-term share decline when they asked agency, Einsen-Freeman to develop a promotion that initially would be used in New York to gain displays and consumer trial.

From 1985 to 1987, J&B Scotch ran an unusual series of consumer premium offers featuring free premiums for a single proof-of-purchase. Even more unique was the fact that the premium giveaway for each offer was worth more than the required purchase of one bottle of J&B Scotch.

The premium offer series included a VCR movie (retail value \$49.95), a



Free Sneakers from



Coupons and premiums give a double boost to Glad bags, Huggies diapers and Ovaltine.

SALES PROMOTION

credit-card-sized FM radio (retail value \$29.95) and a Lorus watch (retail value \$19.95).

Consumers were alerted to the offers by point-of-purchase displays with tear-off order forms instructing them to fill out the form and mail it along with a J&B label and a cash-register receipt. Bottle hangers providing promotion details were also displayed.

The results: A 10-year share decline in the New York market was halted, and the brand showed an actual case sales increase, while overall scotch category sales continued downward. The VCR movie promotion rolled out nationally in 1987 after the success in New York.

Another case history is found in the silver Reggie award winners named at last month's Promotion Marketing Association of America meeting. Hardee's, and its agency Ogilvy & Mather, picked up the honor for their work with California Raisins.

Hardee's faced a real problem, which it chose to tackle with the help of a premium. In terms of growth, the fast-food industry has suffered a bit of indigestion. Category growth slowed to a scant 5% in 1986, and fast-food chains have had to steal share from their competitors.

Hardee's is the third-largest hamburger fast-food chain in the United States (after McDonald's and Burger King). Faced with declining breakfast sales across the industry — and following the entry of McDonald's and Burger King into the breakfast-biscuit arena — Hardee's decided to launch a short-term promotion that would generate broadscale awareness and interest in its biscuit products.

The California Raisins promotion was designed to increase Hardee's breakfast and dessert sales throughout the month of October 1987. The company expected to increase system-wide sales by about 4.5% during the four-week program — an ambitious goal given the fact that everyone in the fast-food category, except McDonald's, was showing stagnant or declining

sales. Hardee's hoped to generate additional sales from current customers and attract new ones.

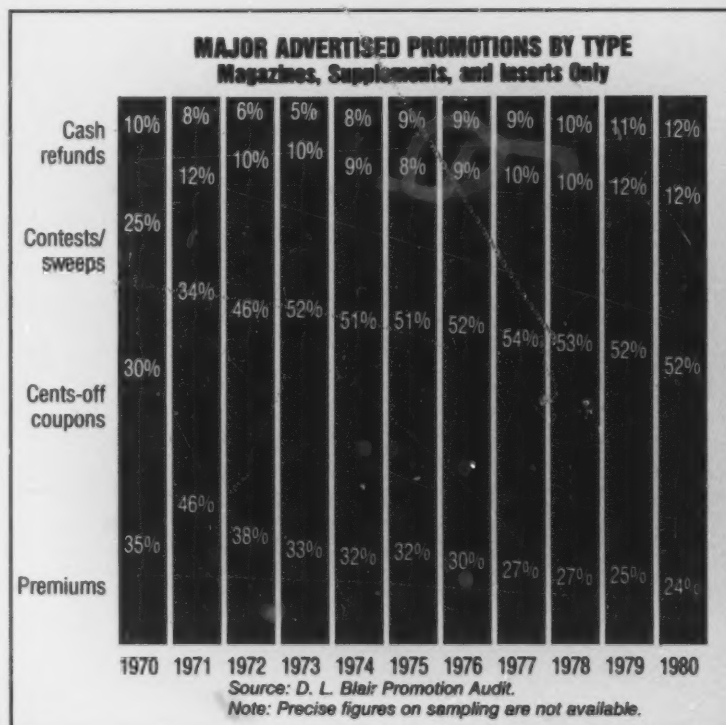
Hardee's decided to capitalize on the popularity of the California Raisin characters to promote its biscuits — a natural association since California raisins are used in Hardee's cinnamon-and-raisin biscuits. California Raisin figurines were sold with the purchase of Rise 'N Shine biscuits or desserts.

The Raisin figurines were promoted via tv, radio, newspaper and outdoor advertising. In-store materials included window decals, cash-register reminders, posters, tray liners, crew buttons, table tents and motorized displays. Local radio stations held contests to help fuel the California Raisin craze. Raisin characters made personal appearances in Hardee's restaurants and at major local events.

The results: October 1987 produced the single largest monthly year-to-year increase in Hardee's history. October dollar sales increased by an average of

18% versus the previous year, with some restaurants reporting as much as 30% increases. Fifteen million figurines were sold during the four-week promotion period, and traffic increased substantially. The promotion proved so popular that a Raisin hotline was created to help consumers get figurines after they were sold out.

In summary, it appears that promotion's most powerful word — "free" — may be competing successfully with promotion's next most powerful words, "save" and "cents-off." However, coupons have a strong value in immediate savings, with 70-80% household participation in the U.S. Except for the immediate gratification free in- or on-pack premiums (and occasional, rare free near-pack), mail-in premiums will have a tough time taking a big share from couponing. The more likely future route (at least for advertised promotions) will be the "overlay" combination of coupons and free premiums.



ECONOMIC EYE

JUMPING JANUARY

Nighttime network tv took a giant leap with the average cost of a 30-second spot jumping 54% from \$88,959 in Jan. '87 to \$136,938 in Jan. '88. Though a spokesperson from BAR could offer no explanation for the increase, she did warn that costs would stay high in February due to the Olympics.

MAGAZINE AD SCORECARD

	Ad Pages March 1988	% change from March 1987	Dollars spent (000)	% change from March 1987
1. Skin Care, Creams, Lotions and Oils	204.34	-6.0%	\$ 7,836.7	+6.9%
2. Lip and Eye Beauty Products	116.18	-12.7	4,215.6	-10.9
3. Scents and Fragrances	183.02	+21.6	4,333.5	+5.8
4. Facial Makeup Products	126.48	+22.1	4,949.5	+50.9
5. Prepared Dinners and Entrees (Including Pizza)	50.12	-4.8	3,117.1	+14.8
6. Liquor	221.77	-17.3	9,049.8	-22.8
7. Cigarettes	559.30	-9.1	29,019.5	-7.7
8. Soaps and Detergents	47.78	+13.5	2,933.9	+18.8
9. Passenger Cars, Domestic	482.75	-8.0	22,989.8	-17.0
10. Passenger Cars, Imported	586.30	+13.1	28,277.4	+13.5

Source: Publishers Information Bureau as prepared by Leading National Advertisers

MEDIA COST INDEX

1985 = 100

1987

1988

	June	% change	July	% change	Aug.	% change	Sept.	% change	Oct.	% change	Nov.	% change	Dec.	% change	Jan.
Network TV															
Daytime	95	-1	98	-5	85	-11	83	-11	97	-6	91	-8	82	-4	78
Nighttime	112	+3	109	+2	113	+5	106	-0	110	+6	115	+8	111	+2	165
Spot TV															
Prime time	130	+9	138	+10	126	+4	124	+18	123	+3	123	+6	123	+6	-
Daytime	104	-1	108	-4	117	+7	102	+3	112	+2	113	+2	105	+0	-
Network radio	114	-1	102	-0	104	-1	106	+2	122	+6	112	+6	106	+6	134
Spot radio					103	+5					112	+9			-
Consumer magazines	109	+3	109	+3	109	+3	109	+3	109	+3	111	+4	113	+5	114
Natl. Sunday mags	103	+7	103	+7	113	+7	118	+14	106	+12	106	+12	106	+12	117
Business publications	111	+5	111	+5	111	+5	111	+4	112	+5	113	+5	113	+5	117
Newspapers	116	+7	115	+7	115	+7	115	+7	115	+6	115	+6	116	+7	124
Outdoor	114	+6	114	+6	114	+6	114	+6	118	+12	118	+12	118	+12	123

Notes: Percentage shown is relative change from the same month/period the year before.

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.